Alberta

GAS ROYALTY OPERATIONS INFORMATION BULLETIN

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PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT

ANNOUNCEMENTS

Natural Gas Liquids Buyer Identification

The Natural Gas Liquids (NGL) Reference Prices represent the field-based provincial reference prices, which are calculated using information submitted by all NGL buyers. As with every program, we strive to maintain our database to ensure inputs to the calculation are kept as current as possible. In this regard, we are seeking your assistance with identifying NGL buyers that purchase product at Alberta field locations. Please review the attached list of NGL buyers (Appendix A) that are already known to us and send us an email with the names and contacts of NGL buyers that are not on the list.

We would like to contact the new companies as soon as possible to enable them to prepare for the reporting requirements.

Contacts

For further information or to submit names and contacts of NGL buyers please contact:

Terry Rayne
Director
Pricing and Analysis
Phone: (403) 297-5467
Email: Terry.Rayne@gov.ab.ca

Winnie Tam
Team Lead
Pricing and Analysis
Phone: (403) 297-5427
Email: Winnie.Tam@gov.ab.ca

Statutory Requirement and Recalculation of 2013 Royalty

A production year becomes statute barred on December 31st, four years after the end of a production year. Once a year has become statute barred, calculation or recalculation of royalty does not occur on a monthly basis. Section 38 of the Mines and Minerals Act provides for recalculation of royalty that can be initiated in two ways:
1. On the department's initiative in conjunction with an audit or examination; or
2. At the request of a royalty payer.

Audits in Progress
Non-operator partners are advised that certain 2013 Allowable Operating and Capital Costs (including costs reported at facilities where fractionation occurs), Custom Processing Fees, Custom Processing Adjustment Factor (CPAF), Enhanced Oil Recovery Schemes, CO2 Project Credit claims and volumetric reporting discrepancy audits are currently in progress.

It is anticipated that these audits will be completed before December 31, 2017. However, should circumstances warrant a completion of these audits in 2018, we no longer provide a list of the facilities affected by the outstanding custom processing adjustment factor review and the AC2 review. Please note that all facilities and all facility cost centres are open for a potential review.

Royalty clients are also reminded that amendments received by the department in the fourth year following the production year may be subject to audit. If the amendments are received late in the fourth year and insufficient time is available for the department to commence a review of the amendments prior to the end of the year, the department reserves the right to commence the audit at the beginning of the fifth year.

If you have any questions, please contact Robert Sonego, Manager, Compliance & Assurance, Calgary, at 403-297-8774.

Industry Recalculation of 2013 Royalty
Industry initiated royalty recalculation requests for the 2013 production year must be submitted in writing to the attention of Olga Marocco, Manager, Volumetric & Cost Reporting, Gas Royalty Operations on or before December 31, 2017 and must include the information listed below.

- Identification of the recalculation facility or facilities
- A list of the royalty variables proposed for recalculation
- The reason for the recalculation
- The production year of the recalculation
- An order of magnitude estimate (i.e. >$100,000, >$1 Million, >$2 Million, etc.,) of the recalculation requested
- Identification of all royalty clients that may be impacted by the request (this is necessary, especially in situations where volumes may be cascaded to another client who is expected to respond to the cascade)

Department Initiated Amendments for 2013 Royalty

The following is under review by the department for the production year 2013 and will be completed in 2018:

Accuracy of royalty related volumetric submissions, including but not limited to:

- PURDISP/PURREC reporting and ABWG 99999 allocations.
- Accuracy of royalty related gas cost allowance submissions.

If you have any questions regarding this process, please contact the Control Assurance team at ControlAssurance.Energy@gov.ab.ca.

MONTHLY INFORMATION

Re-Allocation of Assigned Volumes (RMF2s)

As per the *Alberta Natural Gas Royalty Guidelines (2009, Updated)*, Chapter III, Section 2.2.1, Royalty clients may submit an RMF2 form if they wish to reassign all or part of their Crown and/or freehold volumes of gas and gas products allocated to well events, well groups, units, or injection schemes. The RMF2 Listing report identifies the royalty clients' active RMF2s currently in our system as well as the date that the form was last used to re-assign volumes.

Royalty Clients should review their RMF2 reports issued each month, and are requested to submit termination dates for those RMF2s that are no longer required. The number of unused documents continues to increase. Part 3.4 of the RMF2 form requires a Termination Date be completed and it should be defined for a reasonable timeframe. The RMF2 is not intended for the facilitation of sales activity between clients. In those instances, the OAF can be changed in

order to facilitate a smooth transition of responsibility for the production volumes. As a reminder, the department will require definite termination dates applied to each form (Part 3.4). If the termination date is not on the form, it will be returned to the submitter. The Department expects that this will reduce the number of obsolete documents in our system.

If you require any additional information please contact VCR at VCR@gov.ab.ca.

Pricing for Gas and Gas Products

For pricing on gas, gas products, and transportation information for July 2017, please refer to the Information Letter.

The monthly default sulphur price for **July** is **$29.66.** Below are the annual sulphur default prices:

2013	2014	2015	2016
$51.05	$82.35	$101.10	$43.13

July 2017 Royalty Due October 30, 2017

Royalty clients are to remit the total amount payable shown on the October 2017 Statement of Account by October 31, 2017. If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided. Current period interest will not be charged on current invoice charges for the production month of July if it is paid in full by October 30, 2017.

The October 2017 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your July 2017 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.

Note: If the due date falls on a non-business day, the next business day will apply as the due date *except for the month of March due to the Government of Alberta's fiscal year end.* In this situation, the due date will apply previous to the non-business day as the due date.

Cheques are made payable to the Government of Alberta and must contain the G94 account number as reflected on the Statement of Account.

August 2017 VA4 due October 15, 2017

The VA4 forms for the production month of August 2017 are due in the department offices by October 15, 2017.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Petrinex Deadline Submissions

The Petrinex deadline for SAF, OAF, and Volumetric submissions are posted on the Petrinex website "Reporting Calendars" under Calendars. ***Changes to this calendar will be posted on the Petrinex website home page in "Broadcast Messages."***

Interest Rate September 2017

Alberta Energy's interest rate for September 2017 is **3.95%**

June Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the June 2017 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments (Net)	Net Provisional Assessment
$1,794,036.54	($952,674.80)	$841,361.74

June Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the June 2017 billing period.

Forms	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2017/06
AC2	$117,300	($194,300)	($77,000)
AC5	$900	$0	$900
NGL*	$0	$0	$0
VA3	$0	$0	$0
VA4	$0	$0	$0
Total	**$118,200**	($194,300)	($76,100)

* NGL Price Reporting

Production Allocation Discrepancy (PAD) Potential Royalty Impact

As of the June 2017 billing period, the potential royalty dollar impact is estimated as $6.5 million, for the production months of January through June 2017.

NOTE: These values are not intended to show that Crown royalty has been understated but do illustrate the consequences of incorrect reporting.

Well Event Measured Depth Determination Letter

The department has issued a "Well Event Measured Depth Determination Letter" under the Report Package DOE – Gas to facility operators via Petrinex on September 1, 2017. This letter shows the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the Alberta Royalty Framework formula. A well event that is not listed on the letter and does not have a confirmed MD will receive a DF of 1. When the changes to the MD are confirmed by the department, a letter is issued to a facility operator who reports changes through Petrinex to a well event attributes affecting MD. All changes to the MD are applied on a go forward basis only. Facility operators are advised to submit well event attribute changes by the last day of the calendar month in order for timely determination of MD.

NGDDP Confidential Wells

Wells designated as "confidential" will be reviewed prior to the removal of the "confidential" status, if the directional surveys and completion reports are provided to the department. Send directional surveys and completion reports to GasRoyaltyPrograms@gov.ab.ca

If you have any questions, please contact Lily Hiew in Gas Royalty Features at 780-427-1550.

INFRASTRUCTURE DATA

Business Associate ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, and includes Working Interest Owner (WIO) role start/end dates.

This report is also published daily on the Petrinex website.

The Department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry/Crown Land Data at 780-422-1395 or CrownLandDataSupport@gov.ab.ca if you have any questions regarding the information supplied in this article.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client status changes, names, or IDs, please contact Client Registry/Crown Land Data at 780-422-1395 or CrownLandDataSupport@gov.ab.ca.

Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

REMINDERS

Restatement of Natural Gas Liquids (NGL) Prices

The *Natural Gas Royalty Regulations, 2009* (AR 221/2008 – With Amendments up to and including AR 140/2014), gives the Department of Energy a deadline to amend (restate) prices for 2014 by August 31, 2017. This is the first restatement since the introduction of the new process effective July 2014.

Please refer to IL 2013-35 for more information on the amendment and restatement process of NGL prices. The following production months and the specific product will be restated:

Production Period	NGL	Original Price	Amended Price
July 2014	Propane (C3-MX) Mix	$160.41	$158.27
August 2014	Butane (C4-SP) Spec	$383.04	$374.07
September 2014	Butane (C4-SP) Spec	$378.84	$364.41
November 2014	Butane (C4-SP) Spec	$327.08	$330.89
November 2014	Pentanes Plus (C5+-SP) Spec	$498.70	$487.49
December 2014	Propane (C3-SP) Spec	$101.80	$103.81
December 2014	Butanes (C4-SP) Spec	$247.85	$251.24

All resulting recalculations will appear on the June 2017 billing period. If you have any questions please contact:

Terry Rayne
Director
Pricing and Analysis
Phone: 403-297-5467
Email: Terry.Rayne@gov.ab.ca

Winnie Tam
Senior Business Analyst
Pricing and Analysis
Phone: 403-297-5427
Email: Winnie.Tam@gov.ab.ca

Reports Format Modification

As a result of the Modernized Royalty Framework (MRF) implementation, modifications are being made to the .PDF and .CSV formats of the **Royalty Exemption Statement** and the **New Well Royalty Rate Details** reports. These changes include MRF adjustments.

A new detail line for the product Oil will also be on the **New Well Royalty Rate Details** report.

The modified reports will display current Royalty Programs information only, historical information such as the Deep Gas Royalty Holiday Program and New Well Royalty Reduction will no longer be included.

These modified reports will be available after the October Invoice run is complete, and going forward.

If you require any additional information please contact BSC at BusinessSystemsCoordination.Energy@gov.ab.ca.

BUSINESS CONTACTS

Quick Reference

Group	Email
Petrinex Service Desk	Petrinexsupport@Petrinex.ca
Client Registry / Crown Land Data	CrownLandDataSupport@gov.ab.ca
Volumetric & Cost Reporting	VCR@gov.ab.ca
Management Information	ManagementInformation.Energy@gov.ab.ca
Gas Royalty Accounting	GasRoyaltyAccounts.Energy@gov.ab.ca
Gas Royalty Rapid Transit Payments	G94Deposit@gov.ab.ca
Gas Royalty Features	GasRoyaltyPrograms@gov.ab.ca
Freehold Mineral Tax	Mintax.Energy@gov.ab.ca

Petrinex Service Desk

The focal point for communications regarding preparations for, access to, or utilization of Petrinex is the Petrinex Service Desk, or Petrinex Support.

Phone: 403-297-6111 or 1-800-992-1144
Fax: 403-297-3665
Email: Petrinexsupport@Petrinex.ca
Website: www.Petrinex.ca

Volumetric & Cost Reporting

Volumetric & Cost Reporting (V&CR) is the Front Line of contact for inquiries relating to volumetric and cost reporting as well as gas royalty calculation processes. V&CR is made up of four teams as shown below:

Team	Team Lead
Volumetrics	Nicole Karpan
Costs	Sheruna Naidoo
Process Support	Penny Calen
Adherence	Oana Jurgea

Gas Royalty Voicemail: 780-422-8727
Fax: 780-427-3334
Alberta Toll Free: 310-0000
Gas Royalty Email: VCR@gov.ab.ca

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.

Management Information

All inquiries or requests that relate to royalty information (e.g. Information Letter, Information Bulletin and other Department of Energy's Natural Gas website publications) and questions related to Commercial Storage, Soldier Settlement, and Farm Gas should be forwarded to the Management Information Team at ManagementInformation.Energy@gov.ab.ca.

Gas Royalty Accounting

All inquiries or requests that relate to royalty accounting (e.g. Transfers, Refunds, Interest, Statement of Account, Collections and Royalty Deposits) should be forwarded to the Royalty Accounting Team at GasRoyaltyAccounts.Energy@gov.ab.ca.

Gas Royalty Features

All inquiries or requests that relate to royalty programs (e.g. Natural Gas Deep Drilling Program, New Well Royalty Rates and Otherwise Flared Solution Gas Royalty Waiver Program) should be forward to the Royalty Features team at GasRoyaltyPrograms@gov.ab.ca.

Freehold Mineral Tax

All inquiries or requests that relate to Freehold Mineral Tax (FMT) (e.g. Recalculation of Tax, Notice of Objections, Electronic Transfer System (ETS), inquires for FMT, Freehold Role transfers, Unit Value Submissions, Title Transfers, Mineral Tax Redemption Act (MTRA), EOR on Freehold Lands) should be forwarded to the FMT Help Desk at Mintax.Energy@gov.ab.ca.

Reference Prices and Valuation Allowances Calculation Information

For information related to Natural Gas and Natural Gas Liquids reference prices, and Sulphur valuation submissions (VA3 and VA4), contact the Pricing & Analysis Team located at the Alberta Energy office in Calgary:

Pricing & Analysis
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403-297-5514
Fax: 403-297-5400
Email: GasValuation.Energy@gov.ab.ca

Alberta Energy Internet Webpage

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet webpage: www.energy.alberta.ca. From "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", and "Alberta Natural Gas Reference Price (ARP)". In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".

Richard Stokl
Director, Gas Royalty Operations
Royalty Operation

Appendix A

Natural Gas Liquids Purchasers

Acme Energy Marketing Ltd.
Alliance Energy Services LLC
Altagas Ltd.
BP Canada Energy Group ULC
Canadian Enterprise Gas Products Ltd.
Canadian Natural Resources Ltd.
City Service Valcon, LLC
ConocoPhillips Canada Resources Corp.
Elbow River Marketing Limited
Gestion Energie Quebec Inc.
Gibson Gas Liquids Partnership
Husky Oil Operations Limited
Imperial Oil Resources
Keyera Energy Ltd.
Kiros Energy Marketing ULC
Pembina NGL Corporation
Pengrowth Energy Corporation
Petrogas Marketing Ltd.
Plains Midstream Canada
Repsol Oil & Gas Canada Inc.
Shell Chemicals Canada
Superior General Partner Inc.
Targa Canada Liquids Inc.
Tidal Energy Marketing Inc.
Tidewater Midstream and Infrastructure Ltd.